



The Audit Process

Charles County Internal Audit Office

This is a short discussion of the audit process including:

- The purpose of an audit
- How the area is selected for review
- The audit process
- The report process
- Audit Follow-Up

Audit Purpose

As a division of the County Administrator, the Internal Audit Office conducts audits to help protect the public's interest and improve the performance, accountability and transparency of Charles County Government. We are here to help Charles County accomplish its mission and strategic objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The Internal Auditor reports administratively to the Charles County Administrator or designee and functionally to the Internal Audit Oversight Committee.

The audit report, which is a combined effort of both the auditor and the administration, is the end result of the audit process. Recommendations from the report can be used as a basis for adjusting procedures, policies, procedures, or priorities in order to make operations as economical, effective and efficient as possible.

All audits are conducted in accordance with government auditing standards and International Standards for the Professional Practice of Internal Auditing; as applicable, in compliance with Federal, State and local laws and regulations.

Audit Selection

Internal Audit's priorities are documented in the Annual Audit plan. Selection criteria are determined by a combination of factors including:

- The risk assessment process
- Suggestions from elected officials, interested parties, and agencies
- Prior audit coverage
- Statutory, regulatory, and contractual requirements

In addition to the above, the County Commissioners or the County Administrator may at any time order the examination or audit of the accounts of any agency or organization that receives or disburses County funds. This includes of any turnover in any management with fiduciary responsibilities. The Internal Auditor shall report the results of his/her audit to the Deputy County Administrator and the Internal Audit Oversight Committee, and copies shall be made available to the public unless restricted by law, no later than three months after completion of the audit.

Audit Process

Audit Notification: In most cases Departments will be notified prior to the scheduled start date of an audit or review. Exceptions to this procedure may include surprise cash audits or requests from management.

Entrance Conference: At the beginning of each audit, the auditor meets with Departmental management and staff to discuss the audit scope and objectives. Other areas usually covered include estimated time frames for completing the audit; access to required records, information and personnel; and management designation of a contact person for coordination purposes. Internal Audit will also ask for and consider management's suggestions for additional objectives to include in the audit or potential areas that may warrant special review.

Performing the Audit: During the audit process, the auditor will obtain background information such as Departmental goals and missions, internal control structure, and staff responsibilities through interviews with staff and reviews of normal operating procedures. Based on this information, the auditor develops detailed examination and verification procedures and performs tests and evaluations to accomplish the agreed upon objectives of the audit.

Keeping Management Informed: During the audit, the auditor will keep management informed of findings and/or concerns as they develop through discussions and meetings. These discussions serve two purposes:

- Provide an opportunity for the department to clarify the auditor's understanding of the facts and circumstances surrounding the finding(s) and to correct misunderstandings and inaccuracies.
- Provide management with notice of areas where improvements may be needed so they can take corrective action as soon as possible.

If significant issues arise during the audit process, the auditor will notify the appropriate level of management in writing.

Exit Conference: The purpose of the exit conference is to communicate audit results to management and to obtain management's comments on proposed findings and recommendations before the draft audit report is issued. The issues presented at the exit conference may have been previously discussed with management. This is management's last opportunity to comment on the findings and recommendations prior to issuance of the draft report and their input is important to ensure that the audit results are fairly presented and that recommendations are reasonable and free of any errors or misrepresentations. After the exit conference, management is asked to respond to the findings and recommendations in writing.

Audit Reports

Discussion Draft: This report is submitted to the department management prior to the exit conference. It is designed to assure that facts and findings have been clearly stated and provides an opportunity for management to correct any errors prior to issuance of the draft report. Also a copy will be distributed to the Deputy County Administrator for review.

Draft Report: This report is issued to the auditee requesting a written response to any audit findings and recommendations.

Final Report: The proposed final report, including management's response to the draft report, is submitted to the Internal Audit Oversight Committee for approval. Management is invited to the meeting when the proposed report is discussed. The report becomes final after the Internal Audit Oversight Committee approves it. Unless restricted by law, once approved, the report becomes public information and will be placed on our website.

Audit Follow-Up: Six months after the final audit report is issued a memorandum is sent to the Department requesting that they prepare a status report of corrective actions taken and provide any support that provides evidence that recommendations have been implemented. This process is repeated every 6 months. Recommendations not implemented within one year of the report will be brought to the attention of the County Executive. Follow-up audits will be conducted when necessary.